

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CU-04 ACDA-12 CIAE-00 DODE-00 PM-05

H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 EB-08 COME-00 TRSE-00 OMB-01

DHA-05 BIB-01 STR-05 IO-13 /108 W

-----104827 190824Z /10

R 182145Z OCT 77

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 2958

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

USMISSION USNATO

AMEMBASSY MOSCOW

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY PRAGUE

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FOR EUR/RPM AND EUR/SOV FROM USDEL CSCE

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E.O. 11652: N/A

TAGS: CSCE OCON ETRD

SUBJECT: BELGRADE CSCE: BASKET TWO WORKING GROU -- OCTOBER 17

SUMMARY: WITHOUT ESTABLISHING FIRM RULES OF PROCEDURE
REGARDING ALLOCATION TO TIME TO BE DEVOTED ON REVIEW
OF IMPLEMENTATION AND NEW PROPOSALS, BASKET TWO WORKING
GROUP BEGAN DEBATE ON AFTERNOON OCTOBER 17 RE GENERAL
PROVISION OF COMMERCIAL EXCHANGES SUBSECTION. EC REP
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KAWAN, SPEAKING FOR BELGIUM, GAVE MOST IMPORTANT SPEECH
OF THE DAY'S FIVE PRESENTATIONS (OTHERS WERE
CZECHOSLOVAKIA, FINLAND, USSR, AND NETHERLANDS).
KAWAN SPEECH CRITICIZED NON-MARKET ECONOMY SYSTEM AS
OBSTACLE TO DEVELOPMENT OF TRADE. PRESENTATION, BOTH
WITTY AND POWERFUL, LEFT SOME WESTERN REPS TITTLING
AND OTHERS, LIKE FRENCH REP, MURMURING, "EXCELLENT,

EXCELLENT." SOVIETS, STUNG BY CRITICISM, TRIED TO COUNTER WITH ASSERTION THAT WESTERN DISCRIMINATORY MEASURES ARE ACTUALLY COUNTER TO WISHES AND BEST INTERESTS OF WESTERN BUSINESSMEN. WHILE WESTERN STATES MAY HAVE DIFFERENT VIEWS ABOUT VARIOUS ASPECTS OF BASKET TWO PROVISIONS, IT WAS CLEAR FROM THIS SESSION THAT THEY WILL INSIST ON FULL AND THOROUGH REVIEW. END SUMMARY.

1. EC REP KAWAN, SPEAKING FOR BELGIUM, DELIVERED ELOQUENT SPEECH, IN WHICH HE SUGGESTED THAT ALL COUNTRIES OPERATE WITH OBSTACLES TO TRADE DESPITE NOMENCLATURE; THAT NON-MARKET ECONOMY SYSTEMS THEMSELVES CONSTITUTE OBSTACLES TO TRADE DEVELOPMENT; THAT RECIPROCITY, RATHER THAN BEING A DISCRIMINATORY MEASURE, IS NECESSARY TOOL IN ORDER THAT STATES OF DIFFERENT ECONOMIC SYSTEMS MAY DEAL WITH EACH OTHER ON A MUTUALLY SATISFACTORY BASIS. WHILE QUANTITATIVE RESTRICTIONS (QRS) AND LACK OF MFN ARE OBSTACLES TO TRADE, SUCH OBSTACLES ARE FOUND EVERYWHERE; SOME STATES ADMIT THEIR EXISTENCE, OTHERS DO NOT. EASTERN POLICY OF LIMITING IMPORTS TO FIT FRAMEWORK OF A NATIONAL PLAN RATHER THAN TO MEET DEMANDS OF THE MARKET AND OF GIVING PRIORITY TO IMPORTS OF NON-MARKET ECONOMY GOODS HAVE SAME OBSTRUCTIVE EFFECT AS WESTERN MEASURES. WEST, HOWEVER, HAS NOT GROWN MORE PROTECTIONIST, BUT RECESSION AND UNEMPLOYMENT LIMITED OFFICIAL USE

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HAVE MADE IT DIFFICULT TO NEGOTIATE FAVORABLE TERMS WITH THE EAST. ON THE OTHER HAND, WEST HAS BEEN METICULOUSLY FORTHCOMING IN AREAS WHERE PROGRESS WAS POSSIBLE SUCH AS BUSINESS CONTACTS, FACILITIES AND INFORMATION, WHICH ARE ALSO IMPORTANT TO DEVELOPMENT OF TRADE. IT IS DOUBTFUL THAT THE EAST HAS MATCHED THOSE ACHIEVEMENTS.

2. USSR REP DELIVERED SOMBER INTERVENTION WHICH, BY LISTING SEVERAL TRADE AND ECONOMIC COOPERATION AGREEMENTS SIGNED SINCE HELSINKI AS EXAMPLES, WAS MEANT TO INDICATE HOW MUCH THE SOVIET UNION HAS DONE TO IMPLEMENT BASKET TWO PROVISIONS. HE SAID COMPENSATION AGREEMENTS WERE NEVER MEANT TO REPLACE TRADITIONAL COMMERCIAL ARRANGEMENTS; BESIDES, WESTERN INQUIRIES INDICATE THEIR POPULARITY. USSR IS IMPROVING WORKING CONDITIONS OF WESTERN REPRESENTATIVE FIRMS WHICH NUMBER OVER 180. SMALL AND MEDIUM SIZED FIRMS, WHILE NOT ALWAYS COMPETITIVE, ARE BEING BROUGHT INTO ACTIVE PARTICIPATION VIA CHAMBERS OF COMMERCE. SOVIET

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INFO OCT-01 ISO-00 CU-04 ACDA-12 CIAE-00 DODE-00 PM-05
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 EB-08 COME-00 TRSE-00 OMB-01
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FM AMEMBASSY BELGRADE
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INFO AMEMBASSY BONN
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COMMERCIAL ORGANIZATIONS ARE EXPERIENCING DIFFICULTIES
IN SOME WESTERN NATIONS ON VISAS, OFFICE SPACE AND OTHER
ACCOMMODATIONS.

3. REFERRING DIRECTLY TO BELGIAN PRESENTATION, USSR REP
SAID LLITTLE HAS BEEN DONE TO ELIMINATE OBSTACLES TO
TRADE, AND COMPLAIN THEY COMMENTED THAT USSR HAS NEVER
SAID ABSENCE OF PLANNED ECONOMY IS AN OBSTACLE.
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QRS AND LACK OF MFN DO NOT FOSTER MUTUALLY SATISFACTORY RELATIONS. THESE MEASURES ARE DIRECTED DISCRIMINATELY AT A "CERTAIN GROUP OF COUNTRIES" FOR NON-ECONOMIC REASONS, AND WESTERN BUSINESSMEN ARE INTERESTED IN THEIR REMOVAL.

4. DUTCH REP, SPEAKING AFTER SOVIETS, GAVE FULL SUPPORT TO BELGIAN PRESENTATION AND REMINDED ASSEMBLY THAT, WHILE GENERAL PROVISIONS CALLED FOR REDUCTION OR ELIMINATION OF OBSTACLES TO TRADE, PREAMBLE TO BASKET TWO CALLS FOR IMPLEMENTATION ON BASIS OF RECIPROCITY. WEST IS NOT ASKING EAST TO CHANGE ITS ECONOMIC SYSTEM, BUT IT IS NOT REALISTIC FOR EAST TO EXPECT UNILATERAL ACTION WHEN IT EMPLOYS MEASURES THAT ARE EQUALLY OR MORE DETRIMENTAL TO TRADE DEVELOPMENT.

5. CZECH REP SAID CZECHOSLOVAKIA HAS IMPLEMENTED BASKET TWO PROVISIONS TO FULLEST EXTENT POSSIBLE, BUT COMPLAINED THAT WESTERN "PROTECTIONIST TENDENCY" HAS INCREASED SINCE 1975, THUS SEVERELY LIMITING ELIMINATION OF OBSTACLES TO THE DEVELOPMENT OF TRADE. IN DEFENSE OF IMPLEMENTATION RECORD, CZECH REP CITED NUMBER OF ECONOMIC EXCHANGES AND LONG-TERM AGREEMENTS WITH EST, NOTED THAT WESTERN COMMERCIAL OFFICES HAVE BEEN ESTABLISHED IN PRAGUE AND THAT A LIKE NUMBER IS UNDER CONSIDERATION, AND SAID AN INTERNATIONAL TRADE CENTER IS IN THE LONG RANGE PLANNING STAGE. HE ALSO WARNED THAT FAILURE TO ELIMINATE TRADE BARRIERS HAD CREATED UNFAVORABLE TRADE IMBALANCE WHICH COULD NOT BE TOLERATED INDEFINITELY BY HIS GOVERNMENT.

6. FINNISH REP, NOTING HIS COUNTRY'S HIGH DEPENDENCY ON FOREIGN TRADE SAID FINLAND HAS BEEN LIVING UP TO LIMITED OFFICIAL USE

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BASKET TWO PROVISIONS FOR SEVERAL YEARS BUT IS STILL SEEKING IMPROVEMENT. IN DETAILED DISSERTATION ON FINNISH-USSR TRADE AND COOPERATION AGREEMENT OF MAY 1976, FINNISH REP SOUGHT TO DEMONSTRATE HOW SUCH A PROGRAM WITH NON-MARKET ECONOMY COUNTRY COULD FULFILL FINAL ACT OBJECTIVES OF LONG-TERM TRADE AND ECONOMIC COOPERATION, DIVERSIFICATION OF TRADE, AND STEADY ECONOMIC GROWTH. GOLDBERG

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Message Attributes

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